

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before the Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Restated General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Grants Unapplied £'000	Usable Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2009	9,263	3,117	0	2,129	14,509	(4,287)	10,222
Surplus or (deficit) on the provision of services (accounting basis)	9,384				9,384		9,384
Other Comprehensive Income and Expenditure					0	(15,588)	(15,588)
Total Comprehensive Income and Expenditure	9,384	0	0	0	9,384	(15,588)	(6,204)
Adjustment between accounting basis and funding basis under regulations	1,555			(115)	1,440	(1,436)	4
Net increase or decrease before transfers to earmarked reserves	10,939	0	0	(115)	10,824	(17,024)	(6,200)
Transfers to or from Earmarked Reserves	(10,494)	2,107	8,387	0	0	0	0
Increase or (Decrease) in year	445	2,107	8,387	(115)	10,824	(17,024)	(6,200)
Balance at 31 March 2010	9,708	5,224	8,387	2,014	25,333	(21,311)	4,022
Surplus or (deficit) on the provision of services (accounting basis)	3,157				3,157		3,157
Other Comprehensive Income and Expenditure					0	11,511	11,511
Total Comprehensive Income and Expenditure	3,157	0	0	0	3,157	11,511	14,668
Adjustment between accounting basis and funding basis under regulations	(2,354)		96	(783)	(3,041)	3,041	0
Net increase or decrease before transfers to earmarked reserves	803	0	96	(783)	116	14,552	14,668
Transfers to or from Earmarked Reserves	(1,617)	1,576	(905)	0	(946)	946	0
Increase or (Decrease) in year	(814)	1,576	(809)	(783)	(830)	15,498	14,668
Balance at 31 March 2011	8,894	6,800	7,578	1,231	24,503	(5,813)	18,690

Comprehensive Income and Expenditure Statement

2009/10				2010/11		
Restated Gross Expenditure £'000	Restated Gross Income £'000	Restated Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,177	1,240	937	Central Services to the Public	1,981	1,087	894
12,275	4,724	7,551	Cultural, Environmental & Planning Services	13,196	4,901	8,295
1,351	261	1,090	Highways, Roads & Transport Services	1,009	125	884
21,336	19,101	2,235	Housing Services	22,890	19,916	2,974
1,995	0	1,995	Corporate & Democratic Core	2,017	0	2,017
602	602	0	C.N.C. Building Control	522	551	(29)
4	0	4	Past Service Costs on Pension Contributions	0	4,992	(4,992)
7	3	4	Non Distributed Costs	6	3	3
39,747	25,931	13,816	Net Cost of Services	41,621	31,575	10,046
2,441	0	2,441	Other Operating Expenditure	2,531	0	2,531
2,660	1,865	795	Financing and Investment Income and Expenditure	3,294	2,741	553
0	26,436	(26,436)	Taxation and Non-Specific Grant Income		16,287	(16,287)
44,848	54,232	(9,384)	(Surplus) / Deficit on Provision of Services			(3,157)
		(69)	(Surplus) / Deficit on revaluation of non current assets			0
		15,657	Actuarial (Gains) / Losses on pension assets / liabilities			(11,511)
		6,204	Total Comprehensive Income and Expenditure			(14,668)

Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ' Adjustments between accounting basis and funding basis under regulations'.

	Notes	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Property, Plant and Equipment	23	6,971	6,395	5,971
Intangible Assets	23	157	109	67
Long Term Investments		0	0	31
Long Term Debtors	25	678	626	606
Long Term Assets		7,806	7,130	6,675
Short Term Investments	27	13,212	18,438	20,700
Stock		1	0	1
Short Term Debtors	26	3,715	5,094	2,563
Cash & Cash Equivalents	35	1,753	5,584	5,523
Assets Held for Sale		0	0	0
Current Assets		18,681	29,116	28,787
Short Term Creditors	29	(3,508)	(3,668)	(4,227)
Current Liabilities		(3,508)	(3,668)	(4,227)
Other Long Term Liabilities	30	(12,391)	(28,228)	(12,305)
Capital Grants Receipts in Advance	17	(366)	(328)	(240)
Long Term Liabilities		(12,757)	(28,556)	(12,545)
Total Net Assets		10,222	4,022	18,690
Usable Reserves	11	14,509	25,333	24,503
Unusable Reserves	12	(4,287)	(21,311)	(5,813)
Total Reserves		10,222	4,022	18,690

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Signature:

John J Duvall
Head of Finance
30 June 2011

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Note	31 March 2010 £'000	31 March 2011 £'000
Net (Surplus) / Deficit on Provision of Services		(9,384)	(3,157)
Less Noncash Movements		(2,072)	1,681
Less Investment and Finance Activities		8,861	489
Net Cashflows from Operating Activities		(2,595)	(987)
Investment Activities	34	(3,032)	1,961
Finance Activities	35	1,796	(913)
Net (Increase) / Decrease in Cash and Cash Equivalents		(3,831)	61
Cash and Cash Equivalents at 1 April		(1,753)	(5,584)
Cash and Cash Equivalents at 31 March	36	(5,584)	(5,523)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

a. General

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at 31 March 2011. The Council is required to prepare the annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (ACOP) and the Best Value Accounting Code of Practice (BV ACOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under part 3 of the 2011 Act.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Income from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet;
- Expenses in relation to services received (including services received by employees) are recorded as expenditure when the services are received rather than when the payments are made;
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

An exception to this principle relates to utility bills and other quarterly payments, which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied and does not, therefore, have a material effect on the year's accounts. The amount affected by this exception is estimated at less than £5,000 per year.

c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

d. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively. i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

e. Charges to Revenue for Non-Current Assets

Service revenue accounts and support services are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the service

These charges are reversed out of the General Fund Balance by way of an adjustment to the Capital Adjustment Account in the Movement in Reserves Statement, so that there is no net impact on the council tax payer.

f. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year end) such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement, when the Council is demonstrably committed to terminating the employment of an officer or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with the actual amount due to be paid to the pension fund and pensioners.

Post Employment Benefits

The Local Government Pension Scheme is accounted for as a defined benefits final salary scheme (retirement lump sums and pensions). Pension costs are assessed in accordance with the advice of a professionally qualified actuary. Accounts relating to the fund are produced by Norfolk County Council and are available from the County on request.

The liabilities of the pension fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 6.9% based on the indicative rate of return on high quality corporate bonds (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years).

The assets of the Pension Fund attributable to the Council are included in the balance sheet at their fair value:-

- Quoted securities – bid price
- Unquoted securities – professional estimate

- Unitised securities – average of the bid and offer rates
- Property – market value

The change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- Contributions paid to the Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the amount due to the Pension Fund for the year. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

g. Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:-

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h. Financial Assets

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset. The value of the amount presented at fair value in the Balance Sheet reflects the outstanding principal plus accrued interest. This is the value that would be received if sold at 31 March.

Financial Instruments at Fair Value through Income & Expenditure

In the late 1990s the decision was taken to employ an external fund manager. The Fund Manager holds a portfolio of investments on behalf of the Council which are actively traded on the financial market in order to maximise investment returns. Fair Value financial assets are included on the balance sheet at fair value, or 'bid' price, determined by quoted market prices. All gains and losses, realised and unrealised, are credited or debited to the Comprehensive Income and Expenditure Account.

i Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability.

The Council's financial liabilities consist wholly of embedded leases with the Council's refuse and street cleansing contracts.

j. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:-

- The Council will comply with the conditions attached to the payments, and
- The grants and contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. A failure to meet the required conditions could result in repayment of the grant or contribution.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited either to the relevant service line or to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

When capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is not ring-fenced and is credited to Taxation and Non – Specific Grant Income in the Comprehensive Income and Expenditure Statement.

k. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used for more than one financial year are classified as Property, Plant and Equipment.

Recognition

All capital expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that adds to, and not merely maintains, the value of property, plant and equipment has been capitalised, provided that it yields benefits to the authority and the services it provides for a period of more than one year.

Expenditure that has been capitalised includes expenditure on the:

- acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus and vehicles.

In this context, enhancement means the carrying out of works which are intended to:

- lengthen substantially the useful life of the asset, or
- increase substantially the open market value of the asset, or
- increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the local authority concerned.

Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The cost of assets acquired other than by purchase is deemed to be its fair value. Infrastructure assets have been included in the balance sheet at historical cost, net of depreciation, where appropriate.

All significant assets included in the balance sheet at fair value are formally revalued at intervals of not more than five years and the revised amounts are included in the balance sheet. A full valuation of a property is conducted by a qualified external valuer who holds a recognised and relevant professional qualification, has recent post qualification experience and sufficient knowledge of the state of the market in the location and category of the asset being valued. Non-specialised properties have been valued on the basis of open market value in existing use

Where an asset has been included in the balance sheet at fair value, any increases in valuations are matched by credits to the revaluation reserve to reflect unrealised gains. Exceptionally gains might be credited to the Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where a decrease in value is determined, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains)

- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

A review of all the Council's assets is undertaken annually to assess whether the value has changed materially during that period. This may be due to obsolescence, physical damage or changes in the way the authority performs its statutory duties or delivers its services. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and the fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non – current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale) and their recoverable amount at the date of the decision not to sell.

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (netted off against the carrying value of the asset at the time of disposal). Any revaluation gains held in the Revaluation Reserve are transferred to the Capital Adjustment account. Any amounts in excess of £10,000 are categorised as capital receipts. The capital receipt is required to be credited to the Capital Receipts Reserve and is then held in reserves pending their application to fund new capital expenditure or to redeem related loan debt. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of assets is fully provided for under separate arrangements for capital financing.

I. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. computer software licences and system implementation costs) is capitalised when it will bring benefits to the Council of more than one financial year. They are included in the balance sheet at historic cost and written down on a straight line basis over 5 years, to the relevant service line within the Comprehensive Income and Expenditure Statement.

m. Depreciation

Depreciation is charged on all Property, Plant and Equipment assets with a finite useful life that can be determined at the time of acquisition or revaluation. The charge is calculated by allocating the cost (balance sheet asset value) over the expected useful life of the asset. The useful lives of assets are estimated to be 5 years for vehicles, plant and machinery, 50 years for most buildings and 40 years for infrastructure assets. Depreciation is not charged on freehold land.

When an asset has major component parts whose cost is significant in relation to the total cost of the asset, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

n. Revenue Expenditure funded from Capital

Expenditure on capital grants to third parties can be capitalised enabling it to be funded from capital resources, although no asset exists to be placed on the balance sheet. This expenditure is charged to the Comprehensive Income and Expenditure Statement and the capital resources utilised to meet this expenditure are transferred from the Capital Adjustment Account to the General Fund Balance within the Movement of Reserves Statement so that there is no impact on the year's council tax.

o. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund

Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals payable under operating leases are charged to the relevant service line within the Comprehensive Income and Expenditure Statement when the expenditure is incurred, in accordance with the terms and conditions of individual lease contracts.

The Council as Lessor

Finance Leases

The Council does not currently grant finance leases for any Property, Plant or Equipment.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made when the income is due, in accordance with the terms and conditions of individual lease contracts.

p. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected on income is payable to HM Revenue and Customs and all VAT paid on expenditure invoices is recoverable from them. This is subject to de minimus rules regarding transactions that are considered to be in competition with the private sector.

q. Interest in Companies and Other Entities

In 2004 the Council's building control department formed a partnership with 2 other local authorities. This is operated under a joint committee, Central Norfolk Councils (CNC), and the income and expenditure attributable to the Council are included within the Council's Comprehensive Income & Expenditure Statement, Balance Sheet and Cash Flow Statement.

The Council also has an interest in CNC Consultancy Services Limited which is classified as an Associate. This means that the Council has significant influence over the company through its participation in policy decisions, including decisions on strategic issues. Group accounts have not been prepared as the amounts involved are not considered material.

r. Allocation of Departmental Salaries and Overheads

All central staff and overhead costs are recharged to services on the basis of departmental time allocations estimated by managers, and agreed support service charges. All overhead costs are dealt with in accordance with CIPFA's Best Value Accounting Code of Practice. The costs of the corporate and democratic core and non distributed costs have a separate objective heading and are therefore not apportioned to other services. Central costs are fully recharged to services (including Corporate and Democratic Core).

s. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement of Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. A significant proportion of reserves at year end are fully committed within the Council's future financial plans.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and do not represent available resources.

Earmarked reserves are kept for insurance, repairs and renewals, carry forwards (for revenue spending delays), building control trading activities, spend equalisation, housing assistance policy and specific grant funded projects. These reserves are regularly reviewed and adjusted to ensure that they are adequate for their designated purpose.

t. Provisions, Contingent Liabilities and Assets

Provisions are included in the accounts for potential liabilities that are likely to be incurred, where there is some uncertainty of the amounts involved or the dates on which these liabilities may arise.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Council. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence at otherwise uncertain events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

2. Implementation of International Financial Reporting Standards (IFRS) – Material Differences

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

i) Fair Value of Assets

The Council owns a number of areas of surplus housing land. At present, none of these areas of land meet the criteria for Assets Held for Sale and as such have been re-valued from Open Market Value to Existing Use Value.

	Statement of Accounts 2009/10 £'000	Adjustments Made £'000
Opening Balance Sheet 1 April 2009		
Property, Plant and Equipment	6,876	(1,115)
Revaluation Reserve	(1,437)	878
Capital Adjustment Account	(6,614)	237
Balance Sheet 31 March 2010		
Property, Plant and Equipment	6,591	(1,107)
Revaluation Reserve	(1,496)	878
Capital Adjustment Account	(5,664)	229

ii)

Leases

The Council has a refuse and recycling contract and a street cleaning and sweeping contract which include the exclusive use of vehicles in the provision of services. Under the Code, these vehicles are to be reclassified as Finance leases and as such, are included in the Council's assets with a corresponding liability.

	Statement of Accounts 2009/10 £'000	Adjustments Made £'000
Opening Balance Sheet 1 April 2009		
Property, Plant and Equipment	6,876	1,210
Short Term Creditors	(3,956)	(7)
Other Long Term Liabilities	(11,486)	(1,203)
Balance Sheet 31 March 2010		
Property, Plant and Equipment	6,591	908
Other Long Term Liabilities	(27,635)	(908)
Comprehensive Income and Expenditure Account 2009/10		
Cultural, Environmental and Planning Services	7,493	(52)
Financing and Investment Income and Expenditure	743	52

The net charge to Cultural, Environmental and Planning Services consists of the removal of the contract charge for the cost of the vehicles and the inclusion of the depreciation charge.

iii)

Cash & Cash Equivalents

Previously, in accordance with UK GAAP, any short term investments held at 31 March were included under the heading of short term investments, regardless of the period of investment. IFRS includes a new category 'cash equivalents', which includes any short term investments, that are easily convertible to cash at 31 March. The balance sheet has therefore been restated to include any short term investments held 'on call' as a cash equivalent.

	Statement of Accounts 2009/10 £'000	Adjustments Made £'000
Opening Balance Sheet 1 April 2009		
Short Term Investments	14,566	(1,354)
Cash & Cash Equivalents	399	1,354
Balance Sheet 31 March 2010		
Short Term Investments	21,516	(3,078)
Cash & Cash Equivalents	2,506	3,078

iv) Government Grants

Under the code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously grants applied for fixed assets were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:-

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A significant Government Grant was received in 2009/10 towards the new Eco Community. This grant was not used and therefore no income was recognised. The grant was shown in the Grants and Contributions Unapplied Account within the liabilities section of the Balance Sheet. In addition a smaller grant was received in 2009/10 which was included within Creditors as a receipt in advance. Following the change in accounting policy, these grants have been recognised in full and transferred to the Capital Grants Unapplied Account within the Usable Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:-

	Statement of Accounts 2009/10 £'000	Adjustments Made £'000
Opening Balance Sheet 1 April 2009		
Government Grants Deferred Account	(168)	168
Capital Adjustment Account	(6,614)	(168)
Balance Sheet 31 March 2010		
Creditors	(4,171)	17
Capital Grants Receipts in Advance	(10,586)	10,221
Government Grants Deferred Account	(83)	83
Capital Adjustment Account	(5,664)	(83)
Comprehensive Income and Expenditure Account 2009/10		
Cultural, Environmental and Planning Services	7,493	17
Taxation and Non Specific Grant Income	(16,181)	(10,255)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

v) Contributions from Developers - Section 106 Agreements

As in (iii) above, under the Code Grants and Contributions are recognised as income when they become receivable. Some grants and contributions are conditional upon certain services being provided within a particular time period. These 'conditional' grants and contributions may therefore have to be repaid in the future if the conditions specified are not met and as such, remain a liability on the Council's balance sheet.

However, those grants and contributions that do not have any expiry terms or specific conditions are recognised as income upon receipt. This applies to a proportion of contributions received from developers under S106 agreements. This has resulted in the following changes being made to the 2009/10 financial statements:-

	Statement of Accounts 2009/10 £'000	Adjustments Made £'000
Opening Balance Sheet 1 April 2009		
Creditors	(3,956)	753
Capital Grants Receipts in Advance	(418)	52
Usable Reserves	(13,704)	(805)
Balance Sheet 31 March 2010		
Creditors	(4,171)	718
Capital Grants Receipts in Advance	(10,586)	37
Usable Reserves	(14,340)	(755)
Comprehensive Income and Expenditure Account 2009/10		
Cultural, Environmental and Planning Services	7,493	35
Housing Services	2,211	15

3. Accounting Standards that have been Issued but have not yet been Adopted

There are no new accounting standards relevant to the Council that have not yet been adopted

4. Critical Judgements in Applying Accounting Policies

There is a high degree of uncertainty about future levels of funding for local government. However, The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to reduce levels of service provision.

5. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

- Pensions Liability – Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Norfolk County Council administers the pension fund for the Council, who employ a firm of consulting actuaries to provide expert advice about the assumptions to be applied. The sensitivities regarding the principle assumptions used to measure the scheme liabilities are set out below:-

Change in Assumptions at year ended 31 March 2011:	Approximate % increase to Employer Liability %	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	10.0%	4,598
1 year increase in member life expectancy	3.0%	1,431
0.5% increase in the Salary Increase Rate	1.0%	1,190
0.5% increase in the Pension Increase Rate	6.0%	3,074

- At 31 March 2011, the Council had sundry debtor balances outstanding. In the current economic climate, a very prudent approach has been taken in respect of bad debts provisions for outstanding debts and non payment is not therefore considered to have a significant impact on the balances of the Council.

6. Movement in Reserves Statement – Adjustment between Accounting Basis and Funding Basis under Regulations

	2009/10					2010/11				
	General Fund Balance	Capital Grants Unapplied	Usable Capital Receipts Reserve	Movement in Unusable Reserves	Total Movement in Reserves	General Fund Balance	Capital Grants Unapplied	Usable Capital Receipts Reserve	Movement in Unusable Reserves	Total Movement in Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account										
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u>										
Charges for Depreciation and Impairment of non current assets	(914)			914	0	(629)			629	0
Revaluation losses on Property, Plant and Equipment					0					0
Amortisation of Intangible Assets	(71)			71	0	(85)			85	0
Capital Grants and Contributions that have been applied to Capital Financing					0					0
Revenue Expenditure funded from Capital under Statute	(1,069)		(27)	1,096	0	(1,591)		(8)	1,599	0
Amounts of non current assets written off on disposal to the CIES	(10)			10	0	(19)			19	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>										0
Statutory provision for the financing of capital investment	302			(302)	0	229			(229)	0
Capital Expenditure charged against the General Fund Balance	572		0	(572)	0	151		0	(151)	0
	(1,190)	0	(27)	1,217	0	(1,944)	0	(8)	1,952	0

	2009/10					2010/11				
	General Fund Balance	Capital Grants Unapplied	Usable Capital Receipts Reserve £'000	Movement in Unusable Reserves	Total Movement in Reserves £'000	General Fund Balance	Capital Grants Unapplied	Usable Capital Receipts Reserve £'000	Movement in Unusable Reserves	Total Movement in Reserves £'000
Adjustments involving the Capital Adjustment Account b/fwd	(1,190)	0	(27)	1,217	0	(1,944)	0	(8)	1,952	0
Adjustments involving the Capital Receipts Reserve										
Transfer of Sale Proceeds credited as part of gain / loss on disposal to the CIES					0					0
Transfer of Receipts from Deferred Capital Receipts Reserve			(8)	8				(7)	7	
Use of Capital Receipts Reserve to finance new Capital Expenditure			145	(145)	0			794	(794)	0
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(5)		5		0	(4)		4		0
Adjustments involving the Capital Grants Unapplied Account										
Reversal of Unapplied Capital Grants and Contributions credited to the CIES	38			(38)	0	96	(96)			0
Application of Grants to Capital Financing					0					0
Adjustments involving the Pensions Reserve										
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(1,616)			1,616	0	2,861			(2,861)	0
Employers Pension contributions and direct payments to pensioners payable in the year	1,214			(1,214)	0	1,325			(1,325)	0
Adjustments involving the Collection Fund Adjustment Account										
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	4			(4)	0	20			(20)	0
Total Adjustments	(1,555)	0	115	1,440	0	2,354	(96)	783	(3,041)	0

7. Movement in Reserves Statement - Transfers to / from Earmarked Reserves	Restated Balance at 1 April 2009 £'000	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	Net Movement 2009/10 £'000	Restated Balance at 31 March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Net Movement 2010/11 £'000	Balance at 31 March 2011 £'000
Repairs & Renewals Purpose: To finance significant irregular repairs and maintenance expenditure to Council owned assets, as well as their replacement.	133	56	445	389	522	195	124	(71)	451
Spend Equalisation Purpose: To finance revenue expenditure that is not incurred every year so that the council tax does not fluctuate significantly each year.	342	60	181	121	463	76	210	134	597
VAT Purpose: To finance additional VAT cost in the event of the Council exceeding its partial exemption limit.	100	100	0	(100)	0	0	0	0	0
Recession Mitigation Fund Purpose: To assist the Broadland Community - businesses, individuals and families during a period of economic recession.	0	0	0	0	0	0	1,234	1,234	1,234
Insurance Purpose: To cover increased excess charges that were agreed as part of the revised insurance contract.	56	1	2	1	57	0	1	1	58
Building Control Trading Purpose: To cover expected losses in revenue on the formation of the CNC Building Control Partnership	14	0	0	0	14	0	0	0	14
External Funding Reserve Purpose: To cover projects that are funded by specific government grants and contributions.	1,606	982	883	(99)	1,507	559	1,028	469	1,976
Housing Assistance Policy Purpose: To earmark receipts received from repayments of housing loans in accordance with the new Housing Assistance Policy.	22	0	11	11	33	0	41	41	74
CNC Reserve Purpose: To identify the Council's share of CNC Building Control Partnership surplus / (deficit).	39	0	0	0	39	0	29	29	68
Developer Contributions - Adopted Land Purpose: To earmark receipts received under S106 Agreements for the future maintenance of adopted amenity land.	306	5	0	(5)	301	6	1	(5)	296
Developer Contributions - Play Areas Purpose: To earmark receipts received under S106 Agreements for the provision of children's play areas.	447	130	100	(30)	417	118	132	14	431
Eco Community Revenue Grant Reserve Purpose: To cover the eco community project, funded by specific government grant.	0	0	1,834	1,834	1,834	233	0	(233)	1,601
Total Earmarked Reserves and Balances	3,065	1,334	3,456	2,122	5,187	1,187	2,800	1,613	6,800

8. Comprehensive Income and Expenditure Statement - Other Operating Expenditure

	2009/10 £'000	2010/11 £'000
Parish Precepts	2,426	2,508
Payment to the Housing Capital Receipts Pool	5	4
Gains / Losses on disposal of non current assets	10	19
Total	2,441	2,531

9. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

	2009/10 £'000	2010/11 £'000
Interest Payable and Similar Charges	52	39
Pensions Interest Cost and expected return on pension assets	956	822
Interest receivable and similar income	(213)	(308)
Other Investment income	0	0
Total	795	553

10. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income

	2009/10 £'000	2010/11 £'000
Council tax income	7,432	7,661
Non domestic rates	6,726	7,402
Non ringfenced government grants	3,891	1,128
Capital Grants & Contributions	8,387	96
Total	26,436	16,287

11. Balance Sheet – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 6 and 7.

12. Balance Sheet – Unusable Reserves

	31 March 2010 £'000	31 March 2011 £'000
Revaluation Reserve	618	606
Capital Adjustment Account	5,521	5,326
Pensions Reserve	(27,543)	(11,851)
Collection Fund Adjustment Account	6	26
Deferred Capital Receipts	87	80
	(21,311)	(5,813)

Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	559	618
Upward revaluation of assets	69	0
Difference between fair value depreciation and historical cost depreciation	(10)	(12)
Balance at 31 March	618	606

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition or enhancement of those assets under statutory provisions. The account is charged with the cost of acquisition or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition and enhancement.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 contains details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	6,545	5,521
<u>Capital Financing applied in the year</u>		
Capital Receipts	145	794
Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	38	0
Application of grants to capital financing from the capital grants unapplied account	0	942
Capital Expenditure charged against General Fund balances	684	151
	867	1,887
<u>less Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
Depreciation and Amortisation	596	413
Impairment of Fixed Assets	197	78
Disposals	2	0
Revenue Expenditure Funded From Capital	1,096	1,591
Balance at 31 March	5,521	5,326

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are due to be paid.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	(11,486)	(27,543)
Actuarial Gains or (Losses) on pension assets and liabilities	(15,657)	11,506
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,614)	2,861
Employer's pension contributions and direct payments to pensioners in the year	1,214	1,325
Balance at 31 March	(27,543)	(11,851)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The difference between these two amounts in 2010/11 was £20,000 (£4,000 in 2009/10).

Deferred Capital Receipts

Deferred capital receipts are amounts due to be received from the sale of council houses for which funds are received over a number of years.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	94	87
Receipts	(7)	(7)
Balance at 31 March	87	80

13. Agency Services

The Council provides payroll and investment services to the Broads Authority, involving the payment of £3,554,600 to employees and members (£3,522,300 in 2009/10) and £981,900 to HMRC (£981,800 in 2009/10). The Broads Authority pays a management fee to cover the additional payroll cost incurred.

	2009/10 £	2010/11 £
Expenditure Incurred		
Expenditure incurred in providing payroll / member services	20,442	21,239
Management Fee		
Payroll / Member Services	(13,276)	(13,372)
Financial Advice	(9,662)	(7,776)
Investment Facilities	(460)	(504)
Net Surplus (Deficit) Arising on the Agency Agreement	(2,956)	(413)

14. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:-

Portfolio Income and Expenditure 2010/11

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

15. Members Allowances

Payments to councillors for allowances and committee attendance expenses were £252,692 (£253,366 in 2009/10) and are included in the costs of corporate and democratic core.

16. Audit Costs

The Council incurred the following fees relating to external audit and inspection.

Fees Payable to the Audit Commission	2009/10 £	2010/11 £
External audit services carried out by the appointed auditor	84,881	63,204
Statutory inspection	10,613	25,102
Certification of grant claims and returns	28,217	34,146
Other Services	1,312	2,200
Total	125,023	124,652

17. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

	2009/10 £'000	2010/11 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,553	1,075
Re-distribution of NNDR Pool	6,726	7,402
LA Business Growth Incentive & Area Based Grant	76	36
Housing / Planning Delivery Grant	394	0
Eco Community Grant	10,221	0
Habitat Grant	34	17
Waste Target Reward Capital Grant	0	96
Credited to Services		
DWP Housing Benefits	18,098	19,136
NNDR Cost of Collection	136	136
Disabled Facilities Grants	277	283
Regional Housing Pot	94	65
Land Charges	0	34
Homelessness Grants	157	101
Housing Strategy	47	0
Community Safety Grants	25	34
Waste Efficiency / Recycling Grant	8	0
Concessionary Fares Grant	230	94
Sports Development	264	53
Elections	184	191
Broadland Community Partnership	83	71
Young Persons, Skills & Future Jobs Funding	442	809
Other Grants	72	24
	39,121	29,657

The Council has also received contributions from developers in respect of Section 106 Planning Agreements that have yet to be recognised as income as they have conditions attached to them that will require monies to be returned if conditions are not met. In 2008/09 the Council also received a grant towards the cost of providing free swimming to senior citizens and children under the age of 16. These sums are included in the Balance Sheet at year end are as follows:-

Balance Sheet	Purpose	31 March 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Short Term Creditors	Provision of Play Areas	64	59	35
Capital Grants Receipts in Advance	Provision of Affordable Housing	329	329	240
Capital Grants Receipts in Advance	Free Swim Grant	37	0	0

18. Employees Remuneration

The number of employees whose total remuneration (excluding employer's pension contributions) was £50,000 or more in bands of £5,000 were:-

Remuneration Band	Number of Employees	(2009/10)
£50,000 - £54,999	4	(4)
£55,000 - £59,999	2	(2)
£60,000 - £64,999	1	(1)
£65,000 - £69,999	2	(3)
£70,000 - £74,999	0	(0)
£75,000 - £79,999	2	(1)
£80,000 - £84,999	1	(1)
£85,000 - £89,999	0	(0)
£90,000 - £94,999	0	(0)
£95,000 - £99,999	0	(0)
£100,000 - £104,999	0	(0)
£105,000 - £109,999	1	(0)
£110,000 - £114,999	0	(0)
£115,000 - £119,999	0	(1)

From 1 August 2010, the Council entered into an arrangement with a neighbouring council, to share the post of Head of Environmental Services. This post holder is an employee of Broadland District Council and as such, is included in the table above.

Senior Employees

The following table shows the remuneration of senior employees whose salary is less than £150,000 but more than £50,000 per year. Senior employees are those that have the power to direct or control the major activities of the Council, i.e. Directors and Statutory Officers, and are included in the remuneration bands above.

The Chief Executive salary costs include additional duties in respect of Returning Officer fees for election duties. The Head of Finance salary costs include additional duties in respect of his role as Financial Advisor to the Broads Authority.

The bonuses paid in 2009/10, are in respect of loyalty payments made to staff during the Local Government Review process.

	2009/10 £	2010/11 £		2009/10 £	2010/11 £
Chief Executive			Head of Finance		
Salary, Fees & Allowances	113,191	109,110	Salary, Fees & Allowances	64,434	64,917
Bonuses	1,498	-	Bonuses	957	-
Expenses Allowance	1,064	454	Expenses Allowance	380	125
Total Remuneration excluding Pension Contributions	115,753	109,564	Total Remuneration excluding Pension Contributions	65,771	65,042
Employers Pension Contribution	19,618	20,700	Employers Pension Contribution	11,534	12,334
Total Remuneration including Pension Contributions	135,371	130,264	Total Remuneration including Pension Contributions	77,305	77,376
Strategic Director & Chief Planner			Head of Corporate Services and Monitoring Officer		
Salary, Fees & Allowances	82,164	82,943	Salary, Fees & Allowances	54,206	58,144
Bonuses	1,220	-	Bonuses	630	-
Expenses Allowance	746	845	Expenses Allowance	251	298
Total Remuneration excluding Pension Contributions	84,130	83,788	Total Remuneration excluding Pension Contributions	55,087	58,442
Employers Pension Contribution	14,707	15,759	Employers Pension Contribution	8,259	9,407
Total Remuneration including Pension Contributions	98,837	99,547	Total Remuneration including Pension Contributions	63,346	67,849
Strategic Director (Organisational Development)					
Salary, Fees & Allowances	77,131	78,061			
Bonuses	1,076	-			
Expenses Allowance	198	143			
Total Remuneration excluding Pension Contributions	78,405	78,204			
Employers Pension Contribution	12,973	13,915			
Total Remuneration including Pension Contributions	91,378	92,119			

19. Interest in Company

Broadland District Council has an interest in CNC Consultancy Services Limited which is classified as an Associate.

The company was formed on 18 December 2007 and commenced trading on 14 May 2008. Its primary activities are building regulation and energy consultancy services. A copy of the Company's accounts can be obtained from Companies House. The Council lent the Company £31,000 on incorporation. This loan was converted to share capital in July 2010 following a resolution by the Council. This is shown as a long term investment on the Balance Sheet. Broadland District Council holds one share (33.3%). The Council is liable for company debts only to the value of its shareholding.

CNC Consultancy Services Ltd meets the requirements of the Companies Act for definition as a small company not requiring audit. The results for the period to 31 March 2011 are detailed below.

	2009/10 £'000	2010/11 £'000
Net Assets / (Liabilities) for the period	(104)	4
Profit / (Loss) for period before tax	(22)	15
Profit / (Loss) for period after tax	(22)	15

20. Non Distributed Costs

Expenditure and Income relating to Surplus Assets is included as a non distributed costs within the Consolidated Income and Expenditure Statement. Net expenditure in 2010/11 was £3,000 (£4,000 in 2009/10).

21. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of the many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 14 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2011 are shown in note 17.

Members & Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in note 15. A review of related party transactions between the Council, members and chief officers was undertaken in 2010/11 and no items were identified as needing to be reported. A number of grant payments are made by the Council to voluntary organisations where members or chief officers may have an interest. The grants are made with proper consideration of declarations of interest and the relevant members and chief officers did not take part in any discussion or decision relating to the grants.

22. Leases

The Council as Lessee

i) Finance Lease

The Council entered into a Refuse and Recycling contract in 2007. In accordance with the Code of Practice on Local Authority Accounting, the fleet of refuse and recycling collection vehicles are treated as Finance Leases and are therefore included as Property, Plant and Equipment on the Council's balance sheet, although actual ownership of the vehicles lies with the contractor. Similarly, the Council entered into a Street Cleaning and Sweeping contract in 2005. The vehicles required for the provision of this contract are also treated as finance leases and included in the figures below.

The amounts included in the balance sheet are:-

	31-Mar-10 £'000	31-Mar-11 £'000
Property, Plant and Equipment	908	679

The Refuse and Recycling contract is due to continue until 31 October 2014 with an option to extend for a further 7 years. The Council is committed to making minimum contract payments for both the refuse collection and street cleaning contracts. These include an element to support the finance lease of the refuse and street cleaning vehicles. The estimated minimum lease payments for future years is made up as follows:-

	31-Mar-10 £'000	31-Mar-11 £'000
Current Liabilities	232	225
Non Current Liabilities	676	454

The minimum lease payments detailed above will be payable within the next 3 years.

ii) Operating Lease

The Council uses leased cars under the terms of an operating lease. The amount paid under this arrangement in 2010/11 was £44,804 (£46,759 in 2009/10). The future cash payments required under these leases are £30,409 in 2011/12 and £9,189 in 2012/13.

The Council leases industrial units and then sub lets these units on to small businesses in order to promote / assist small businesses. The rents payable in 2010/11 were £186,525 (£320,256 in 2009/10) and rents receivable from small businesses in 2010/11 were £138,537 (£245,277 in 2009/10).

Commitments under operating leases are as follows:-

	Land & Buildings £'000	Cars £'000
Leases expiring in 2010/11	43	14
Leases expiring between 2011/12 and 2014/15	10	35
Leases expiring after 2014/15	19	0

23. Property, Plant and Equipment

Movements in 2009/10:

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure £'000	Surplus Land & Buildings £'000	TOTAL £'000
Cost or Valuation					
At 1 April 2009	5,050	2,412	72	1,253	8,787
Adjustments between cost/value & depreciation / impairment		2,172		(1,115)	1,057
Adjusted 1 April 2009 balance	5,050	4,584	72	138	9,844
Additions	76	164	47	0	287
Derecognition - Disposals	0	0	0	(2)	(2)
Derecognition - Other	0	0	0	0	0
Revaluation Increases / (Decreases) to Revaluation Reserve	21	0	0	0	21
Revaluation Increases / (Decreases) to Surplus / Deficit on Provision of Services	(124)	0	0	0	(124)
Reclassifications	0	(270)	0	0	(270)
At 31 March 2010	5,023	4,478	119	136	9,756
Depreciation & Impairment					
At 1 April 2009	(231)	(1,658)	(22)	0	(1,911)
Adjustments between cost/value & depreciation / impairment		(962)			(962)
Adjusted 1 April 2009 balance	(231)	(2,620)	(22)	0	(2,873)
Depreciation Charge	(110)	(543)	(7)	0	(660)
Depreciation written out on revaluation	48	0	0	0	48
Depreciation written out on to Surplus / Deficit on Provision of Services	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	(76)	0	0	0	(76)
Reclassifications	0	200	0	0	200
At 31 March 2010	(369)	(2,963)	(29)	0	(3,361)
Net Book Value at 31 March 2010	4,654	1,515	90	136	6,395
Net Book Value at 1 April 2009	4,819	1,964	50	138	6,971

Movements in 2010/11:

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Surplus Land & Buildings £'000	TOTAL £'000
Cost or Valuation					
At 1 April 2010	5,023	4,478	119	136	9,756
Adjustments between cost/value & depreciation / impairment					0
Adjusted 1 April 2010 balance	5,023	4,478	119	136	9,756
Additions	61	122	39	0	222
Derecognition - Disposals				(18)	(18)
Derecognition - Other					0
Revaluation Increases / (Decreases) to Revaluation Reserve					0
Revaluation Increases / (Decreases) to Surplus / Deficit on Provision of Services					0
Reclassifications					0
At 31 March 2011	5,084	4,600	158	118	9,960
Depreciation & Impairment					
At 1 April 2010	(369)	(2,963)	(29)	0	(3,361)
Adjustments between cost/value & depreciation / impairment					
Adjusted 1 April 2010 balance	(369)	(2,963)	(29)	0	(3,361)
Depreciation Charge	(111)	(447)	(10)		(568)
Depreciation written out on revaluation					0
Depreciation written out on to Surplus / Deficit on Provision of Services					0
Derecognition - Disposals					0
Derecognition - Other	(60)				(60)
Reclassifications					0
At 31 March 2011	(540)	(3,410)	(39)	0	(3,989)
Net Book Value at 31 March 2011	4,544	1,190	119	118	5,971
Net Book Value at 1 April 2010	4,654	1,515	90	136	6,395

Depreciation on assets is charged to the Income and Expenditure account on a straight line basis, with an adjustment (minimum revenue provision) in the Statement of Movement on the General Fund Balance allowed to ensure council tax is not overstated. Repair and maintenance works to buildings have not increased the value of the assets. The useful lives of assets are assumed to be 5 years for vehicles, plant and machinery, 50 years for most buildings, 40 years for most infrastructure assets and 10 years for parish street lighting columns. Only assets above the de minimus threshold of £10,000 are treated as capital and included in the balance sheet.

The purchase of software licences are treated as intangible assets. Amortisation of intangible assets is charged to the revenue account on a straight line basis over a period of 5 years.

Intangible Assets	2009/10	2010/11
	Software Licences & Implementation Costs	Software Licences & Implementation Costs
	£'000	£'000
Cost		
Gross Balance at 1 April	341	603
Additions	17	43
Disposals	(10)	0
Reclassifications	255	0
Gross Balance at 31 March	603	646
Amortisation		
Gross Balance at 1 April	(184)	(494)
Charge for 2009/10	(123)	(85)
Disposals	10	0
Reclassifications	(197)	0
Gross Balance at 31 March	(494)	(579)
Net Book Value at 31 March	109	67
Net Book Value at 1 April	157	109

The Council owned the following assets at 31 March 2010 and 31 March 2011.

	<u>Nos.</u> <u>Owned</u>		<u>Nos.</u> <u>Owned</u>
Offices	1	Public Conveniences	6
Depot	1	Markets	1
Car Parks	5	Shared Equity Properties	1

In addition, the Council owns areas of amenity land which have little or no value. They consist of general amenity land, woodland and play areas.

The Council ensures that all Property, Plant and Equipment required to be measured at fair value is revalued every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Value of Property, Plant & Equipment Carried at Current Value	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Total
Valued at Historical Cost	30	1,190	119	0	1,339
Valued at Current Value in:					
year ended 31/3/11	0	0	0	0	0
year ended 31/3/10	1,323	0	0	118	1,441
year ended 31/3/09	2,327	0	0	0	2,327
year ended 31/3/08	861	0	0	0	861
year ended 31/3/04	3	0	0	0	3
Total	4,544	1,190	119	118	5,971

There were no asset revaluations undertaken in 2010-11.

24. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Commitments for future capital expenditure at 31 March 2011 include local community and homeowner home improvement grants, social housing grants and Thorpe Lodge works. The total commitment is estimated at £1.2 million.

	2009/10 £'000	2010/11 £'000
Opening Capital Financing Requirement	22	364
<u>Capital Investment</u>		
Property, Plant and Equipment	287	222
Investment in Companies	0	31
Intangible Assets	17	43
Revenue Expenditure funded from Capital	1,519	1,939
	1,823	2,235
<u>Sources of Finance</u>		
Capital Receipts	145	794
Grants and Contributions	472	1,290
Revenue / Internal Funds	864	380
Closing Capital Financing Requirement	364	135

25. Long Term Debtors

Outstanding debt (with Great Yarmouth Borough Council) dating back to the 1974 local government reorganisation, advances for house purchase (including council house stock), home improvements and officer car loans account for the Council's long term debtors at 31 March 2011.

	31 March 2010 £'000	31 March 2011 £'000
Transferred Debt	470	441
Housing Advances	87	80
Car Loans	69	85
	626	606

26. Debtors

The following sums of income are due to be received in the next financial year.

	31 March 2010 £'000	31 March 2011 £'000
Central Government Bodies	3,369	868
Other Local Authorities	562	460
Other Entities and Individuals	1,822	2,007
	5,753	3,335
Less Provision for Debt Impairment	(659)	(772)
	5,094	2,563

At the end of 2010/11, reimbursement of NNDR pool contributions were due, together with March 2011 VAT outstanding from HMRC.

27. Short Term Temporary Investments

The following investments were held at 31 March, valued at bid price in line with current local authority practice. The figures below also include accrued interest. The decision was taken to employ an external fund manager in the late 1990s. At 31 March 2010 the fund manager held £2.8 million as a cash balance pending settlement of short term investments on 8 April 2010.

	31 March 2010 £'000	31 March 2011 £'000
Other Local Authorities	500	303
Banks / Building Societies	3,003	8,611
UK Treasury	4,500	0
Fund Manager	13,740	13,874
Gross Funds Invested	21,743	22,788
Less investments made on behalf of third parties	(3,305)	(2,088)
	18,438	20,700

28. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000
Short Term Investments				
Loans and Receivables			8,003	8,802
Financial Assets at fair value through profit and loss			13,711	13,833
			21,714	22,635
Cash Equivalents				
Loans and Receivables			5,959	5,890
Short Term Creditors				
Finance Lease Liabilities			232	225
Other Long Term Liabilities				
Finance Lease liabilities	676	454		

Income, Expense, Gains and Losses

	2009/10				2010/11			
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and Receivables £'000	Financial Assets: measured at Fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and Receivables £'000	Financial Assets: measured at Fair Value through Profit and Loss £'000	Total £'000
Interest Expenses	52			52	39			39
Total Expense in Surplus / Deficit on the Provision of Services	52			52	39	0	0	39
Interest Income		67	146	213		145	163	308
Total Income in Surplus / Deficit on the Provision of Services	0	67	146	213	0	145	163	308
Net gain / (loss) for the year	(52)	67	146	161	(39)	145	163	269

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. This is also recognised as the fair value due to:-

- Fixed contract price for embedded finance leases
- No early repayment or impairment is recognised
- Loans and Receivables are due to mature within the next 12 months.

Assets held at fair value through profit and loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

All investments are measured at fair value in accordance with the Council's accounting policy 1h, detailed on page 10. Investments held with the external fund manager are treated as 'fair value through Income and Expenditure' and as such, any investment gains and losses are included in the Income and Expenditure account. In 2010/11, there was a net loss of £?? (net loss of £7,200 in 2009/10). All other investments are treated as 'loans and receivables'.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- a) Credit Risk – the possibility that other parties might fail to pay amounts due to the Council
- b) Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- c) Market Risk – The possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

a) Credit Risk

The following analysis summarises the potential exposure to credit risk of the Council's short term investments held at 31 March (Note 14). The Council has no experience of default and therefore the table below categorises outstanding investments by their current credit rating, as determined by Fitch Long Term Issuer Default.

	Credit Rating	Principal Sum Invested 31 March 2010		Principal Sum Invested 31 March 2011	
		Loans and Receivables £'000	Fair Value Through Income & Expenditure £'000	Loans and Receivables £'000	Fair Value Through Income & Expenditure £'000
Banks	AA+	-	-	-	-
	AA	-	-	1,000	2,600
	AA -	1,000	3,499	-	5,199
	A+	-	1,299	7,500	2,300
	A	-	-	-	-
		1,000	4,798	8,500	10,099
Building Societies	AA -	2,000	-	-	-
Money Market	AAA	-	2,670	-	145
Other Local Authorities	n/a	503	-	302	-
UK Treasury	AAA	4,500	3,361	-	3,589
		8,003	10,829	8,802	13,833

The Annual Investment Strategy for 2010/11, approved by councillors at Full Council on 20 April 2010, sets the criteria determining the counterparties it regards as suitable for investment purposes. Icelandic banks did not meet this criteria and so were not considered suitable for investment purposes. The Council, therefore, had no exposure to the Icelandic banks collapse in 2008/09. With the exception of the Governments Debt Management Office, the policy set a limit for internal investments of £5 million on the amount that can be invested with a single counterparty.

The Council does not generally allow credit to its customers. Trade debtors at 31 March 2011 consist of industrial unit rentals of £66,000 (£88,000 in 2009/10). A provision is made in the accounts for bad or doubtful debts based on historical experience of collection. Therefore, risk of default has already been accounted for in the balance sheet.

b) Liquidity Risk

As the Council is currently debt free and has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments.

c) Market Risk

Interest Rate Risk

The Annual Investment Strategy determines the Council's investment strategy and interest rate exposure that feeds into the setting of the annual budget and the Treasury Strategy Statement determines the interest rates to be used. The Council assumes a cautious percentage return and employs a professional treasury management advisor to provide interest rate forecasts. Interest rates have remained low during 2010/11 which has continued to impact on investment returns. In simple terms, the effect of interest rates is such that, during 2010/11, a 1% decrease with all other variables being constant, would have resulted in reduced income of approximately £300,000 (£194,000 in 2009/10) within the Income and Expenditure Account. The impact of a 1% rise in interest rates would have been increased income of the same amount.

Price Risk

The Council does not invest in equity shares and so is not exposed to this risk.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

29. Creditors

The following sums were outstanding at 31 March.

	31 March 2010 £'000	31 March 2011 £'000
Central Government Bodies	215	563
Other Local Authorities	1,221	1,325
Other Entities and Individuals	2,232	2,339
	3,668	4,227

30. Retirement Benefits

(a) Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, Broadland District Council (BDC) offers retirement benefits. Although these benefits will not actually be payable until employees retire, BDC has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement. Employees of BDC may participate in the Norfolk Pension Fund. The fund is administered by NCC in accordance with the Local Government Pension Scheme Regulations 1997 as amended and is a defined benefit salary scheme. The scheme is a funded scheme, meaning that BDC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Contributions to the scheme are determined by the Fund's actuary on a triennial basis. The next formal valuation was due on 31 March 2010 and any change in contribution rates as a result of that valuation, will take effect from 1 April 2011.

(b) Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the net cost of services within the Income and Expenditure account when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:-

	2009/10 £'000	2010/11 £'000
Comprehensive Income & Expenditure Statement		
<i>Cost of Services</i>		
Current Service Cost	654	1,309
Past Service Cost	4	(4,992)
<i>Financing and Investing Income and Expenditure</i>		
Interest Cost	2,576	3,185
Expected Return on Assets in the Scheme	(1,620)	(2,363)
Net Charge to Surplus or Deficit on the Provision of Services	1,614	(2,861)
Other charges to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	(15,657)	11,506
Total Charge to the Income and Expenditure Statement	(14,043)	8,645
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for retirement benefits in accordance with the code	(1,614)	2,861
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers Contributions Payable to Scheme	1,105	1,214
Retirement Benefits Payable to Pensioners	109	111
	1,214	1,325
Contribution to / (from) Pensions Reserve	(400)	4,186

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a gain of £9.0 million. This gain is due to a large variance in past service costs due to the changes to pension

increases introduced in the Chancellor's budget statement in June 2010. Calculations on future pension increases are now linked to the Consumer Price Index (CPI) and not the Retail Price Index (RPI). The effect of this change comes through as a negative past service cost item in the Consolidated Income and Expenditure Account.

(c) Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	2009/10 £'000	2010/11 £'000
At 1 April	(37,532)	(61,837)
Current Service Cost	(654)	(1,309)
Interest Cost	(2,576)	(3,185)
Contributions by Scheme Participants	(423)	(419)
Actuarial Gains and Losses	(22,121)	12,267
Benefits Paid	1,473	1,803
Past Service Costs	(4)	4,992
At 31 March	(61,837)	(47,688)

Reconciliation of fair value of the scheme assets:

	2009/10 £'000	2010/11 £'000
At 1 April	26,046	34,294
Expected Rate of Return	1,620	2,363
Actuarial Gains and Losses	6,464	(761)
Employer Contributions	1,214	1,325
Contributions by Scheme Participants	423	419
Benefits Paid	(1,473)	(1,803)
At 31 March	34,294	35,837

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £1,543,000 (a gain of £8,248,000 in 2009/10).

Scheme History:

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Present Value of Scheme Liabilities	(41,700)	(38,374)	(37,532)	(61,837)	(47,688)
Fair Value of Assets	33,800	32,888	26,046	34,294	35,837
Surplus / (deficit) in the scheme	(7,900)	(5,486)	(11,486)	(27,543)	(11,851)

The liability shows the underlying commitments that the Council has in the long run to pay retirement benefits. Although the liability has a negative impact on the net worth of the Council as recorded in the balance sheet, statutory arrangements for the funding of the deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be paid to the scheme in the year 2011/12 is £1,208,000.

(d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries. Estimates are based on the latest full valuation of the scheme as at 31 March 2010.

The principle assumptions made by the actuary are summarised below:-

Assumptions as at:	31 March 2010 % per annum	31 March 2011 % per annum
Inflation / Pension Increases (CPI)	3.8%	2.8%
Salary Increases	5.3%	5.1%
Expected Return on Assets	6.9%	6.7%
Discount Rate	5.5%	5.5%

Long –term expected rate of return on assets in the scheme:-

BDC Assets	2006/07	2007/08	2008/09	2009/10	2010/11
	% per annum	% per annum	% per annum	% per annum	% per annum
Equities	7.9%	7.7%	7.0%	7.8%	7.5%
Bonds	4.9%	5.7%	5.4%	5.0%	4.9%
Properties	5.9%	5.7%	4.9%	5.8%	5.5%
Cash	4.9%	4.8%	4.0%	4.8%	4.6%

Mortality rates are based on life expectancy projected to calendar year 2033 for non pensioners and 2017 for pensioners. The average future life expectancies at age 65 are summarised below:-

	Men	Women
Current Pensioners	20.8	24.1
Future Pensioners	22.3	25.7

A commutation allowance of 50% is assumed for future retirements to elect to take additional tax free cash up to HMRC limits for pre April 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

(e) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Experience gains and (losses) on assets as % scheme assets	(0.5%)	(9.6%)	(35.3%)	18.8 %	(2.1%)
Experience gains and (losses) on liabilities as % scheme liabilities	2.3 %	(3.4%)	0.2 %	0.2 %	15.2 %

Further details, including a summary of the fund's accounts, can be obtained directly from Norfolk County Council.

31. Usable Capital Receipts Reserve

These are proceeds from the sale of assets that have not been used to finance new capital expenditure.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	2,129	2,014
Usable Capital Receipts Received	35	16
	2,164	2,030
less Usable Capital Receipts Applied		
Funding of Capital Expenditure	(145)	(795)
Pooled Housing Capital Receipts	(5)	(4)
Balance at 31 March	2,014	1,231

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:-

	Restated 31 March 2010 £'000	31 March 2011 £'000
Interest Received	(491)	(207)
Interest Paid	52	39
	(439)	(168)

33. Cash Flow Statement – Investing Activities

	Restated 31 March 2010 £'000	31 March 2011 £'000
Purchase of Property, Plant and Equipment and intangible assets	304	258
Purchase of short - term and long - term investments	5,522	2,140
Other Payments for investing activities	0	88
Proceeds from the sale of property, plant and equipment	(7)	(7)
Proceeds from short - term and long - term investments	0	0
Other receipts from investing activities	(8,851)	(518)
Net Cash Flows from Investing Activities	(3,032)	1,961

34. Cash Flow Statement – Financing Activities

	Restated 31 March 2010 £'000	31 March 2011 £'000
Receipts from financing activities	1,494	(1,142)
Cash Payments for the reduction of the outstanding liabilities relating to finance leases	302	229
Other Payments for financing activities	0	0
Net Cash Flows from Financing Activities	1,796	(913)

35. Cash and Cash Equivalents

	Restated 31 March 2010 £'000	31 March 2011 £'000
Cash held by officers	2	2
Bank current accounts	(377)	741
Short Term Deposits with other Local Authorities	0	0
Short Term Deposits with Banks	5,959	4,780
Total Cash and Cash Equivalents	5,584	5,523

36. Contingent Liabilities

The Council has received notice that its decision to grant conditional planning permission for the Broadland Gate development may be subject to judicial review through a High Court challenge. In the event that litigation proceeds and the Council is unsuccessful in defending its decision, it would be liable to pay its own costs as well as the costs of the successful party. This has been estimated at approximately £120,000. Such costs would be additional to the legal services contract. However, there may be a possibility of recouping some of the cost from the applicants, Ifield Estate and Norfolk County Council. In the event that the Council is successful in defending its decision, its costs would be met by the unsuccessful party.

37. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 30 June 2011. Events taking place after that date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No events have occurred that require changes to the accounting statements.

38. Authorised for Issue

The Statement of Accounts was authorised for issue by the Head of Finance on 30 June 2011. This is the date up to which events after the balance sheet date were considered.

The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	2009/10 £'000	2010/11 £'000
Income		
Council Taxpayers	60,264	61,732
Council Tax Benefits	6,216	6,543
Business Ratepayers (Non-Domestic Rates)	25,211	25,260
	91,691	93,535
Expenditure		
Precepts and Demands		
Norfolk County Council / Police Authority	58,829	60,283
Broadland District Council (incl. parishes)	7,426	7,641
Non-Domestic Rates		
Payment to National Pool	25,075	25,124
Costs of Collection Allowance	136	136
Bad and Doubtful Debts		
Provision for Non Payment of Council Tax	75	75
Write Offs	85	110
Contribution		
To General Fund	2	(1)
To County Council / Police Authority	19	(10)
	91,647	93,358
Surplus / (Deficit) for the Year	44	177
Surplus Brought Forward	10	54
Surplus Carried Forward	54	231

The surplus carried forward is shared with major preceptors. At 31 March 2011, the proportion due to Broadland District Council is £14,000 (£6,000 in 2009/10) and this amount has therefore been included in the Council's Income and Expenditure Account.

Notes to the Collection Fund

2. Precepts and Demands on the Collection Fund

	2009/10 £'000	2010/11 £'000
Norfolk County Council	50,491	51,659
Norfolk Police Authority	8,338	8,624
Broadland District Council (incl. parishes)	7,426	7,641
	66,255	67,924

3. Income from Council Tax

The Council's council tax base is calculated by multiplying the number of dwellings estimated to be in each valuation band (adjusted for dwellings where discounts apply) by a proportion to obtain the equivalent number of band D dwellings.

Band	Total No.of Chargeable Dwellings Adjusted for Discounts	Relevant Proportion (Ninths)	Relevant No.
A (Disabled)	12	5	7
A	3,322	6	2,214
B	12,525	7	9,742
C	17,865	8	15,880
D	8,486	9	8,486
E	4,172	11	5,098
F	1,807	13	2,611
G	665	15	1,108
H	73	18	146
Less adjustment for losses on collection and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolition and exempt properties.			45,292 (178)
Council Tax Base 2009/10 (= amount raised from £1 levy)			45,114

The tax requirement of the Council (including parishes) and the County Council / Police Authority (£68 million) is divided by the tax base to obtain the band D property tax (£1,505.62 average for 2010/11). This basic amount of council tax for a band D property is multiplied by the proportion specified for other bands to give an individual amount due. The exact council tax payable is also dependent upon local parish precept requirements. The actual amount collected will depend on collection efficiency and occupation of properties.

4. Income from National Non-Domestic Rates (NNDR)

Rates on business properties are organised on a national basis with the rate in the pound being specified by the government (41.4p in 2010/11). The rateable value of a business is multiplied by this amount to produce the business rates due. The total non-domestic rateable value at 31 March 2010 was £71.6 million. The amounts collected locally are paid into a national pool administered by the Department for Communities and Local Government. This sum is distributed back to local authorities' general funds on the basis of a fixed amount per head of population as part of the Revenue Support Grant process.

LOCAL AUTHORITY FINANCE – GLOSSARY OF TERMS

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.

ACOP

Accounting Code of Practice 1996 - A statement of recommended practice published by CIPFA .

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

APPROPRIATIONS

This is the account necessary to reconcile the 'Net Operating Expenditure' on the General Fund Revenue Account to the 'Amount to be met from Taxes'. It includes revenue contributions to capital and capital financing adjustments.

CAPITAL CHARGE

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

The resources used to meet the capital expenditure incurred in accordance with statutory controls.

CAPITAL RECEIPT

A receipt arising from the disposal of an interest in a tangible asset.

CIPFA

Chartered Institute of Public Finance & Accountancy - the main public sector accounting body.

COLLECTION FUND

A fund containing all transactions relating to community charge, council tax and NNDR together with payments to all precepting authorities.

CONTINGENCY

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CONTINGENT LIABILITY

This is either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs.

CREDIT APPROVALS

These are issued by Government departments as authorisation to use credit to finance capital expenditure. They permit the use of borrowing or credit arrangements or, in the case of debt free authorities, the use of reserved receipts.

DEFERRED CHARGES

Expenditure which may properly be deferred, but which does not result in, or remain matched with tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

DIRECT REVENUE FINANCING

Capital expenditure financed by revenue contributions through the general fund. Such items are included in the Appropriations section of the General Fund Revenue Account.

FIXED ASSETS

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

FRS

Financial Reporting Standard.

IMPAIRMENT

A reduction in the value of a fixed asset below its previous valuation on the balance sheet.

INFRASTRUCTURE ASSET

Fixed assets that cannot be disposed of, expenditure on which is recoverable only by continued use of the asset created.

MINIMUM REVENUE PROVISION (MRP)

This is the minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities.

LIQUID RESOURCES

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to carrying amount or traded in an active market.

NON - OPERATIONAL ASSETS

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PROVISION

An amount set aside for potential liabilities which may arise or will be incurred, where there is uncertainty as to the amounts concerned or the dates on which these liabilities may arise.

PRECEPT

The amount required to pay for services provided. This is collected as part of the council tax. Precepting authorities include Norfolk County Council, Norfolk Police Authority, Town and Parish Councils.

RELATED PARTY TRANSACTION

This is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

RESERVE

Accumulated balances built up from revenue contributions or specific income.

REMUNERATION

All amounts paid to or received by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to UK income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

TEMPORARY LOAN

Money borrowed on a short term basis. Money deposited with this Council by the Broads Authority is treated as a temporary loan.

TOTAL COST

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes an appropriate share of all support services and overheads, which need to be apportioned.

UNAPPORTIONABLE CENTRAL OVERHEADS

These are overheads for which no user now benefits and should not be apportioned to services.